

NFAC #8291-81

NATIONAL FOREIGN ASSESSMENT CENTER

WASHINGTON, D. C. 20505

18 DEC 1981

Director

MEMORANDUM FOR: Director, Office of Policy and Planning
FROM : Acting Director, National Foreign Assessment Center
SUBJECT : DCI's Annual Report to Congress

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Attached is NFAC's contribution to the CIA chapter of the
DCI's Annual Report to Congress, per your request of 7 December 1981.

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R. E. Hineman
Acting Director

Attachment:
As stated

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ATTACHMENT

--Arab-Israeli developments and Middle East policy initiatives.

During the year, the NFAC research planning process was further refined. In addition to the research conducted separately by the individual NFAC offices, a number of cross-cutting intelligence issues were targeted for priority attention on an NFAC-wide basis. The issues were selected because of their relevance to significant current and likely future policy concerns and because they transcended the research responsibilities of any one of NFAC's offices. The program sought to identify areas that needed further treatment to eliminate unnecessary overlap and duplication between offices and to foster more interoffice (and, therefore, interdisciplinary) work.

The process resulted in a significant strengthening of interoffice collaboration and communication. It also enabled us to devote more attention to Third World issues without jeopardizing work in our traditional areas of concern. One of the programmed overview papers--based on in-depth analyses of the development of Soviet military power from 1965 through the 1980s--has already been completed and has won wide praise from consumers. The Egyptian research effort gave important insights at the time of Sadat's death. Demands on analytic resources continue to arise, however, that force us to delay, modify, or cancel some of our other planned research.

The new NFAC-wide research planning process also pointed up the need for a more far-reaching management initiative in favor of the interdisciplinary, "analytical team" approach to intelligence problems. In October 1981, this initiative took the form of a major reorganization of NFAC along geographic rather than functional lines. The reorganization was designed to foster multidisciplinary analysis and production as well as functional analysis. It affords the opportunity for geographers, political analysts, military experts, economists, and other specialists to contribute directly to each other's work from concept through final publication.

At the same time, however, the reorganization--which involved the replacement of four functional offices by six regional ones--highlighted the areas in which our former functional structure had hidden shortages of analysts and research funds. It created an immediate need for more physical space and for nearly 100 more employees; our secretarial shortage is especially acute. We see the need for 100 more people by 1983 and for several hundred more over the next few years if we are to retain our capability on the Communist countries and improve our capability on the Third World and our traditional allies, including special efforts on such problems as terrorism, political instability, technology transfer, and foreign industrial competition. We will also need to strengthen our research effort and our ability to produce high-quality basic intelligence in the face of ever-increasing current intelligence demands that tend to drive out other work at current staffing levels.

17 December 1981

DCI ANNUAL REPORT
TO CONGRESS

Crises and current policy support continued to dominate the activity of the National Foreign Assessment Center during 1981. At the same time, however, NFAC improved its capability to conduct in-depth research and analysis, despite continuing personnel shortages in many areas.

Crisis-generated demands led to extensive and well-received reporting on:

- Continuing tensions in Poland and the threat of Soviet military intervention there.
- The implications of the Iran-Iraq war and up-to-date damage assessments on Persian Gulf oil production and transmission facilities.
- The turmoil in Central America and Cuban activities throughout the region.
- Actual or threatened hostilities in Lebanon, and between Syria and Jordan, Libya and Chad, and Vietnam and Kampuchea.

Meanwhile, demands for intelligence on non-crisis areas did not abate. Major production efforts in such areas included work on: the forces influencing the French and Israeli elections and the consequences of those elections; foreign reactions to US non-proliferation policy; West European and Soviet views on TNF; assessments of likely Soviet reactions to new US weapons programs; detailed assessments of Soviet weapons systems; Communist trade and aid in the Third World; global energy and nuclear power production and consumption, and prospects for the Siberia-to-Europe natural gas pipeline; population, refugee, and food supply problems; assessments of US-China-Taiwan relations.

The demands of the transition to a new administration also had a heavy influence on production during a significant part of the year, as did other direct policy support requirements generated by such things as:

- The Montreal, Ottawa, and Cancun summits.
- Continuing arms negotiations and arms agreement monitoring requirements.

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